

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE INVESTIGATION INTO)
THE PURCHASE GAS ADJUSTMENT (PGA)) CASE NO. INT-G-01-1
MECHANISM AND THE NATURAL GAS)
PURCHASING POLICIES OF INTERMOUNTAIN) NOTICE OF INVESTIGATION
GAS COMPANY.)
) ORDER NO. 28632
)
_____)**

YOU ARE HEREBY NOTIFIED that the Commission has found it appropriate to initiate investigation into Intermountain Gas Company's Purchase Gas Adjustment (PGA) mechanism and its natural gas purchasing policies in Order No. 28578 (Case No. INT-G-00-2). The Commission noted that:

Although the PGA passes the savings through to customers when Intermountain Gas buys gas more inexpensively than projected, it also passes on the additional cost of gas purchased in excess of the projected price. While there is no evidence to suggest that the costs passed through to the ratepayers have not been just and reasonable, we question why some prices were not locked in to hedge against the current market volatility.

A formal review could result in rewards for both the customers and the Company through profit sharing and administrative savings. We find that attributes (such as benchmarking or sharing) included in other utility PGA mechanisms could potentially benefit Intermountain's customers if they were incorporated in Intermountain's PGA mechanism. In light of the current volatile market conditions, it is imperative that the Commission and Intermountain's customers are assured that the PGA mechanism is equitable and that natural gas is secured at the most reasonable price possible. A review at this time would provide such assurance and is in the public interest. A PGA review will also facilitate examination of the Company's gas purchasing policies, alternative gas suppliers, and management fees it pays to IGI Resources as required by Order No. 28109 (Case No. INT-G-99-1). To assist with this PGA review, Intermountain Gas is directed to prepare and submit an analysis of its gas purchasing policies and gas supplies.

YOU ARE FURTHER NOTIFIED that Intermountain Gas was required by Order No. 28578 in Case No. INT-G-00-2 to analyze the cost-effectiveness of its relationship with its gas suppliers and gas purchasing policies, and file results of that analysis with the Commission to

facilitate review of the PGA. This required analysis should also be reviewed in this case, INT-G-01-1.

CONCLUSIONS OF LAW

The Commission has jurisdiction to initiate an investigation of Intermountain Gas Company, a natural gas utility, pursuant to *Idaho Code* §§ 61-501 and 61-503 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and for reasons more particularly described above, IT IS HEREBY ORDERED that this case be initiated to investigate the PGA mechanism of Intermountain Gas Company. This investigation is to proceed under the above Case No. INT-G-01-1. The Commission is confident Intermountain Gas Company will cooperate fully in this investigation. Upon completion of this investigation, Staff is to file a written report of its findings, recommendations and a proposed process to complete this case.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this day of February 2001.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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